



# **COMPLIANCE AND CONTROL AUDIT REPORT**

**Arts Commission**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
April 2004**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

The **Legislative Post Audit Committee** and its audit agency, the **Legislative Division of Post Audit**, are the audit arm of Kansas government. The programs and activities of State government now cost about \$9 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of government agencies. The audit work performed by **Legislative Post Audit** helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U. S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. These audit standards have been endorsed by the American Institute of Certified Public Accountants and adopted by the **Legislative Post Audit Committee**.

The **Legislative Post Audit Committee** is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the representatives, three are appointed by the Speaker of the House and two are appointed by the House Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the **Legislative Post Audit Act** which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the **Legislative Division of Post Audit**. The firm is selected by the **Contract Audit Committee**, which comprises three members of the **Legislative Post Audit Committee** (including the Chairman and Vice-

Chairman), the Secretary of Administration, and the **Legislative Post Auditor**. This audit work also meets the State's audit responsibilities under the federal **Single Audit Act**.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures. These compliance and control audits are conducted by the Division's staff under the direction of the **Legislative Post Audit Committee**.

### **LEGISLATIVE POST AUDIT COMMITTEE**

Senator Derek Schmidt, Chair  
Senator Bill Bunten  
Senator Anthony Hensley  
Senator Dave Kerr  
Senator Chris Steineger

Representative John Edmonds, Vice-Chair  
Representative Tom Burroughs  
Representative Bill McCreary  
Representative Frank Miller  
Representative Dan Thimesch

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Barbara J. Hinton, Legislative Post Auditor

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April 20, 2004

To: Members, Legislative Post Audit Committee

Senator Derek Schmidt, Chair  
Senator Bill Bunten  
Senator Anthony Hensley  
Senator Dave Kerr  
Senator Chris Steineger

Representative John Edmonds, Vice-Chair  
Representative Tom Burroughs  
Representative Bill McCreary  
Representative Frank Miller  
Representative Dan Thimesch

This report contains the findings, conclusions, and recommendations from our completed compliance and control audit of the Arts Commission.

The report includes one recommendation for improving the Commission's oversight of grants to local organizations. We would be happy to discuss this recommendation or any other items in the report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton  
Legislative Post Auditor

## Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

### *Helpful Tools for Getting to the Detail* 🔍

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

# EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

## ***Has the Arts Commission Provided Adequate Oversight for Local Spending of Grants?***

**With one minor exception, the Arts Commission had adequate procedures to ensure that local grant moneys were spent appropriately.** ..... page 3  
*The Commission doesn't always indicate clearly when federal moneys are included in grants to local organizations. Providing that information is a federal requirement which helps ensure that local organizations know they must adhere to certain federal rules. The Commission makes local organizations aware of those federal rules in other ways, but still should provide the required notification.*

**Recommendation** ..... page 4

**Appendix A: Agency Response** ..... page 5

This audit was conducted by Randy Tongier. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at [LPA@lpa.state.ks.us](mailto:LPA@lpa.state.ks.us).



## Arts Commission

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The Legislative Division of Post Audit has conducted compliance and control audit work at the Arts Commission. Compliance and control audits can identify noncompliance with applicable requirements and poor financial-management practices. The resulting audit findings often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

At the direction of the Legislative Post Audit Committee, this audit focused on the Commission's oversight of grants to local organizations. The audit addresses the following specific question:

### **Has the Arts Commission provided adequate oversight for local spending of grants?**

To answer this question, we reviewed applicable statutes and regulations, and identified standard grant oversight practices. We also interviewed appropriate Commission staff members, reviewed grant files and records, and visited a small sample of local grantees.

In conducting this audit, we followed all applicable government auditing standards.

## Arts Commission AT A GLANCE

**Authority:** Created by K.S.A. 74-5201.

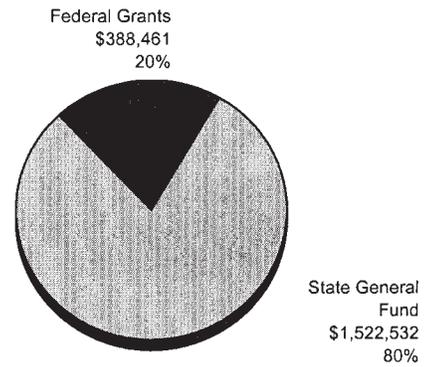
**Staffing:** The Commission has 8 full-time-equivalent positions.

**Budget:** The Authority's major funding comes from General Fund appropriations. The Authority also receives moneys from federal grants. For fiscal year 2003, the Authority took in and spent about \$1.9 million as shown below.

### FY 2003 Expenditures

<u>Type</u>	<u>Amount</u>	<u>% of Total</u>
Aid to Local Organizations	\$1,420,664	74%
Salaries & Wages	\$390,740	20%
Contractual Services	\$92,621	5%
Commodities	\$6,110	0%
Other	\$858	0%

### Sources for Funding for Expenditures



**Total Expenses:** \$1,910,993 100%

**Total Funding:** \$1,910,993

Source: *The Governor's Budget Report*, Vol. 2, FY 2005.

## Has the Arts Commission Provided Adequate Oversight for Local Spending of Grants?

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The Commission's procedures for overseeing how local organizations spent grants received from the Commission generally were well-designed and operating effectively during the period we reviewed. The Commission didn't always clearly indicate to the local organizations when their grant moneys were from federal sources. Although federal requirements call for the Commission to provide that notification, the impact of not always following that practice most likely is minimal. These findings are discussed in more detail in the sections that follow.

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### *With One Minor Exception, the Arts Commission Had Adequate Procedures To Ensure That Local Grant Moneys Were Spent Appropriately*

The Arts Commission is responsible for developing and implementing procedures to ensure that the local organizations it provides grants to spend those grant moneys appropriately. The Commission makes grants to local organizations to fund such things as operating expenses, arts in education programs, and touring arts exhibitions. To help ensure that the local organizations spend those moneys properly, the Commission should do the following:

- identify the applicable programs for the local organizations and indicate whether any federal funds are involved
- inform local organizations about applicable compliance requirements
- monitor local organizations' spending of grant moneys
- respond appropriately to any problems found with the local organizations

To identify and evaluate the procedures used by the Commission, we interviewed Commission staff, reviewed applicable accounting records and files, and tested a sample of grants to local organizations. The Commission's monitoring activities generally address all of the above aspects of ensuring appropriate spending by local organizations, but the Commission can improve in one area.

**The Commission doesn't always indicate clearly when federal moneys are included in grants to local organizations.** Federal requirements call for the Commission to let grantees know when federal moneys are a part of their grants, including the applicable federal program number. That requirement exists primarily to ensure that the local organizations know they must adhere to applicable federal requirements, addressing such issues as audit requirements and requirements for access by persons with disabilities.

Our review of a sample of 11 grants found that the Commission didn't indicate that federal funding was involved in 3 (27%) of those grants. However, for all 11 grants the Commission did notify the local

organization of the specific applicable requirements (access by persons with disabilities, required audits, etc.) in the grant documents. As a result, although the requirement to notify grantees of federal funding wasn't met, the purpose of that notification requirement was met. Nevertheless, the Commission should take steps to meet the notification requirement itself.

<p><b>Recommendation</b> To meet the requirement that local organizations receiving federal funding through the Arts Commission be notified of that fact, the Commission should include the federal program title and number either in the award notice or the payment documents.</p>
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## **APPENDIX A**

### **Agency Response**

On January 29, 2004, we provided a copy of the draft audit report to the Arts Commission. The Commission's response is included as this Appendix.

# KANSAS

ARTS COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

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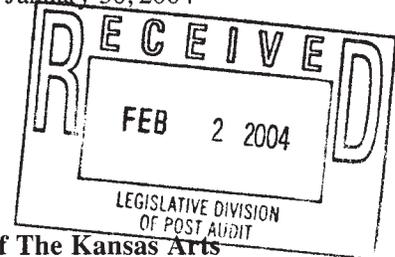
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PITTSBURG

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EXECUTIVE DIRECTOR

January 30, 2004



Barbara J. Hinton, Legislative Post Auditor  
Legislative Division of Post Audit  
800 SW Jackson Street, Suite 1200  
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**RE: Draft of Compliance and Control Audit of The Kansas Arts Commission**

Dear Ms. Hinton,

Thank you for your letter dated January 29, 2004 and for the opportunity to review the draft copy of the compliance and control audit of the Arts Commission.

After reading your draft report I am pleased to inform you that our agency is currently taking steps to clearly identify the source of funds used finance Arts Commission grants, either State General Funds, Federal Funds or a mixture of both.

All future grant payments will identify funds by federal program title and number in the grant award notice or in the grant payment documents. It is our intent to have our Accounting and Grants Management Systems updated to provide this information to our grantees by the end of this fiscal year.

If you have any questions or need any additional information, you may contact Chris Howell at 368-6547.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Wilson".

David M. Wilson  
Executive Director

DW:ceh  
cc. C.Howell

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